

February 9, 2021

To All

Company Name	Frontier Management Inc.
Representative	Shoichiro Onishi Co-President (TSE First Section Code No.7038)
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Notice Regarding Revision of Director Compensation Plan and Introduction of a Restricted Stock Compensation Plan

Frontier Management Inc. (hereafter the “Company”) hereby announced that, at the meeting of the Board of Directors held on February 9, 2021, the Company reviewed the compensation plan for Directors, and resolved to propose to the 14th Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2021 (hereafter the “Ordinary General Meeting of Shareholders”) that the Company will newly introduce a restricted stock compensation plan (hereafter the “Plan”).

1. Revision of the compensation plan for Directors

Compensation for Directors of the Company is currently comprised of monthly compensation, which is fixed compensation, and bonuses, which are variable compensation. In order to increase the linkage between performance of the Company and compensation of Directors other than Outside Directors, and to make the compensation plan more conducive to the achievement of short-term performance targets, achievement of medium- to long-term performance targets, and the continuous enhancement of corporate value, the Company has decided to newly pay single-fiscal-year performance-based compensation that is linked to the level of achievement of a single-fiscal-year performance target (cash bonus and stock-based compensation A) and medium- to long-term performance-based compensation that is linked to the level of achievement of management targets for a medium-term management plan, the degree of enhancement of corporate value, and the like (stock-based compensation B). Both of the stock-based compensation A and stock-based compensation B will be paid in the form of restricted stock for the purpose of further promoting the sharing of value with shareholders as well as strengthening incentives with the aim of achieving management targets for the medium-term management plan and enhancing corporate value.

An outline of our policy for determining compensation for Directors of the Company after the revision of the compensation plan for Directors is as follows.

Outline of our policy for determining compensation for Directors

(1) Basic policy

To provide compensation that enables the Company to appoint as Directors excellent human resources who practice the corporate mission and contribute to the achievement of short-term performance targets, achievement of medium- to long-term performance targets, and continuous enhancement of corporate value.

The Company will create a compensation system that is highly transparent, fair, and reasonable to ensure accountability to our stakeholders.

(2) Compensation composition

Compensation for Directors (excluding Outside Directors) is comprised of basic compensation, which is fixed compensation,

and single-fiscal-year performance-based compensation and medium- to long-term performance-based compensation, which vary depending on performance, while balancing the elements listed in the above basic policy.

Compensation for Outside Directors is comprised of only basic compensation, from the perspective of their role and independence.

The compensation composition ratio of each performance-based compensation to basic compensation for Directors (excluding Outside Directors) will be determined in accordance with the category of the Directors.

(3) Basic compensation

Basic compensation, which is fixed compensation, will be paid monthly to Directors.

The amount of basic compensation for Directors (excluding Outside Directors) will be determined by taking into account the work duties they are in charge of, scope of responsibility, years of service, degree of contribution to short-term and medium- to long-term performance, degree of contribution to enhancement of corporate value, and the like, as well as taking into consideration the level of other companies in the same industry. The amount of basic compensation for Outside Directors will be determined by taking into consideration the work responsibilities and the level of other companies.

(4) Single-fiscal-year performance-based compensation

Single-fiscal-year performance-based compensation (cash bonus and stock-based compensation A) is linked to consolidated results for a single fiscal year and the amount of compensation is determined based on the Company's performance results and the like for a single year, and the determined amount of compensation will be paid to Directors (excluding Outside Directors; hereafter the "Eligible Directors") in the form of cash bonuses and restricted stock (stock-based compensation A) after confirmation of the results of each fiscal year.

The structure ratio of single-fiscal-year performance-based compensation for each Eligible Director is composed of a cash bonus, representing two-thirds of such compensation, and stock-based compensation A, representing one-third of such compensation.

With respect to indicators for consolidated results, consolidated operating income and the like are used as basic indicators, and the paid amount of single-fiscal-year performance-based compensation for each Eligible Director will be determined in light of the degree of contribution to performance, the maximum amount of compensation for the Eligible Directors, and the like.

An outline of the details of single-fiscal-year performance-based compensation (stock-based compensation A) is as described in "2. Details of compensation concerning the restricted stock compensation plan for Directors" below.

(5) Medium- to long-term performance-based compensation

Medium- to long-term performance-based compensation (stock-based compensation B) is linked to the level of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like, and restricted stock (stock-based compensation B) will be paid to the Eligible Directors based on the compensation base amount in accordance with their position at the beginning of each fiscal year. In principle, after the end of the period falling under the medium-term management plan, the number of shares with respect to which the Transfer Restriction is removed will be determined, regarding the shares granted during such period, in accordance with the level of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like.

The indicators of management targets for the medium-term management plan during the period from 2021 to 2023 include the level of achievement of growth rate of consolidated net sales, consolidated operating income margin and consolidated ROE and the like. If a new medium-term management plan is formulated in the future, such indicators of management targets may be changed by a resolution of the Board of Directors.

An outline of the details of the medium- to long-term performance-based compensation (stock-based compensation B) is as described in "2. Details of compensation concerning the restricted stock compensation plan for Directors" below.

(6) Compensation governance

Compensation for Directors (basic compensation, single-fiscal-year performance-based compensation, and medium- to long-term performance-based compensation) will be determined by a resolution of the Board of Directors in light of voluntary deliberations and reports by the Compensation Advisory Committee.

Clawback provisions are set out to the effect that if a certain event such as a material accounting fraud, huge amount of loss, or the like occurs, all or part of the stock-based compensation A and stock-based compensation B that have already been paid will be returned without any consideration in accordance with each Director's liability.

2. Details of compensation concerning the restricted stock compensation plan for Directors

In light of the above "1. Revision of the compensation plan for Directors," the Company will introduce the Plan as follows, and plans to submit a proposal to the Ordinary General Meeting of Shareholders with respect to the details of compensation in the form of the restricted stock to be granted to the Eligible Directors, separately from the maximum amount of compensation for Directors, 300,000,000 yen per annum (20,000,000 yen of which is for Outside Directors), that was decided at the Extraordinary General Meeting of Shareholders held on August 14, 2018.

Outline of the Plan

The Plan is to issue or dispose of shares of common stock of the Company to the Eligible Directors without requiring payment of money or tender of property contributed in kind in each fiscal year in principle, and allow them to hold such shares.

The Company will execute a restricted stock allotment agreement (hereafter the "Allotment Agreement") with the Eligible Directors. During a certain period set out in the Allotment Agreement (hereafter the "Transfer Restriction Period"), the Eligible Directors may not freely transfer, create a security interest on, or otherwise dispose of (hereafter the "Transfer") shares delivered pursuant to the Allotment Agreement (hereafter the "Allocated Shares") (this restriction on Transfer is hereinafter referred to as the "Transfer Restriction").

	Stock-based compensation A	Stock-based compensation B
(1) Timing of payment and method of calculating the number of shares to be paid	The amount of compensation will be determined based on the Company's single-fiscal-year performance results and the like and a part of the determined amount of such compensation will be paid in the form of restricted stock to the Eligible Directors after the results of each fiscal year are confirmed.	Restricted stock will be allocated to the Eligible Directors at the beginning of each fiscal year based on the base amount of compensation for each position.
(2) Amount of compensation and maximum number of shares	Maximum amount of stock-based compensation: No more than 100,000,000 yen per annum Maximum number of the Allocated Shares: No more than 40,000 shares per annum	Maximum amount of stock-based compensation: No more than 50,000,000 yen per annum Maximum number of the Allocated Shares: No more than 20,000 shares per annum
	Provided that, if the Company conducts a share split or consolidation of shares of its common stock, or in any other cases in which an adjustment of the total number of shares to be allocated is required in the similar manner as such share split or consolidation of shares, the total number of shares to be allocated will be	

	reasonably adjusted.	
(3) Transfer Restriction Period	The Transfer Restriction Period will be set for three years from the date when the Allocated Shares are granted to the Eligible Directors and the Eligible Directors shall not Transfer such shares during such period.	
(4) Principle of Removal of Transfer Restriction	In principle, the Transfer Restriction will be removed at the time of expiration of the Transfer Restriction Period.	In principle, after the end of the period falling under the medium-term management plan, the number of shares with respect to which the Transfer Restriction is removed will be determined, regarding the shares granted during such period, in accordance with the level of achievement of the management targets for the medium-term management plan, the degree of enhancement of corporate value, and the like and the Transfer Restriction will be removed at the time of expiration of the Transfer Restriction Period.
(5) Exceptional treatment upon retirement		
(i) In case of retirement due to expiration of term of office, death, or other justifiable reason	If, before the expiration of the Transfer Restriction Period, an Eligible Director retires due to expiration of term of office, death, or other justifiable reason, the Transfer Restriction will be removed with respect to all shares granted to such Eligible Director upon reasonably adjusting the timing of removal of the Transfer Restriction as necessary.	If, before the expiration of the Transfer Restriction Period, an Eligible Director retires due to expiration of term of office, death, or other justifiable reason, (i) where such retirement occurs during the period from the time of the grant of the shares to the time prior to the determination of the number of shares with respect to which the Transfer Restriction will be removed, the number of such shares with respect to which the Transfer Restriction will be removed and the timing of removal of the Transfer Restriction will be reasonably adjusted as necessary in accordance with the level of achievement of the management targets for the medium-term management plan and the degree of enhancement of corporate value as of that time, and the like, and (ii) where such retirement occurs during the period from the time of the determination of the number of shares with respect to which the Transfer

		Restriction will be removed to the time of the expiration of the Transfer Restriction Period, the timing of removal of the Transfer Restriction will be reasonably adjusted as necessary.
(ii) In case of retirement without justifiable reason	If, before the expiration of the Transfer Restriction Period for the shares, an Eligible Director retires from the position of Director of the Company without any reason considered justifiable by the Company's Board of Directors such as expiration of term of office, the Company will automatically acquire without any consideration all such shares that have been allocated to such Eligible Director.	
(6) Exceptional treatment upon reorganization and the like	If, during the Transfer Restriction Period, an agreement for a merger in which the Company becomes the disappearing company, or a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary, or an agreement for other matters regarding reorganization and the like (hereafter "Reorganization Agreement") is approved at a general meeting of shareholders of the Company (or at a meeting of the Board of Directors of the Company, if such Reorganization Agreement does not require the approval of a general meeting of shareholders of the Company), the Transfer Restriction will be removed with respect to all shares granted to such Director upon reasonably adjusting the timing of removal of the Transfer Restriction as necessary.	If, during the Transfer Restriction Period, a Reorganization Agreement is approved at a general meeting of shareholders of the Company (or at a meeting of the Board of Directors of the Company, if such Reorganization Agreement does not require the approval of a general meeting of shareholders of the Company), (i) where such approval is made during the period from the time of the grant of the shares to the time prior to the determination of the number of shares with respect to which the Transfer Restriction will be removed, the number of such shares with respect to which the Transfer Restriction will be removed and the timing of removal of the Transfer Restriction will be reasonably adjusted as necessary in accordance with the level of achievement of the management targets for the medium-term management plan and the degree of enhancement of corporate value as of that time, and the like, and (ii) where such approval is made during the period from the time of the determination of the number of shares with respect to which the Transfer Restriction will be removed to the time of the expiration of the Transfer Restriction Period, the timing of removal of the Transfer Restriction will be reasonably adjusted as necessary.

(7) Other events of acquisition without any consideration	The Company shall, at the time of the determination of the number of shares with respect to which the Transfer Restriction is removed, automatically acquire without any consideration shares with respect to which the Transfer Restriction is decided not to be removed.
(8) Return of shares without any consideration	The Allotment Agreement will set out clawback provisions to the effect that if a certain event such as a material accounting fraud, huge amount of loss, or the like occurs, all or part of the stock-based compensation that have already been paid will be returned without any consideration in accordance with each Director's liability therefor.
(9) Other matters to be decided by the Board of Directors	Other details and matters relating to the operation of the Plan will be decided by the Board of Directors in light of the reports of the Compensation Advisory Committee.